



# **Law Number 93 of 2000:**

## **Depository and Central Registry for Securities Law**

Unofficial English Translation

**The Egypt Capital Markets Development Project**



CHEMONICS INTERNATIONAL INC.



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*(Unofficial Translation)*

**Depository and Central Registry for Securities Law  
No. 93 of 2000**

**Chapter One  
General Provisions**

Article 1—In this Law, “company” means a licensed company whose business is central depository and registry activity for securities, and “Central Depository Participants” means the entities stipulated in article 19.

Article 2—The activities of a company include all activities related to that of a securities depository, the clearing and settlement of financial positions resulting from securities transactions, and the transfer of securities ownership by book entry, including:

- 1- The deposit of securities with the company or with any licensed entity;
- 2- The book entry transfer of ownership of securities traded among Participants;
- 3- The recording of a security interest in securities; and
- 4- The clearance and settlement of financial positions resulting from securities transactions.

Article 3—The business of a central registry includes all activities related to the bookkeeping of securities ownership and of a security interest therein, including:

- 1- The maintenance of records of the names of the owners of securities, the rights thereto and the disposal thereof;
- 2- The distribution of entitlements of securities deposited with the company, including the principal amount, the proceeds, dividends, redemption value and restructuring payments;
- 3- The distribution of any information and report disclosed by issuers of securities;
- 4- Any service related to the issuance of securities on behalf of the issuer; and
- 5- Any action required to replace a security upon the restructuring of the issuing entity.

Article 4—The ownership of securities deposited with the company shall only be transferred upon the settlement of the transaction in that security.

Article 5—The owner of a security shall have all the rights pertaining to his ownership, provided such security is deposited and registered in his name.

Securities may also be deposited and registered in a person’s name while another person or more are beneficially entitled to all the rights pertaining to such security. In such instances, the person in whose name a security is registered is the “registered owner” and the person entitled to the rights thereto is the “beneficial owner”. Such a registered owner shall have the responsibilities of a custodian under this Law.

Article 6—A custodian bank and any entity who is acting, pursuant to a decree issued by the competent manager and approved by the Capital Market Authority, as a custodian, a portfolio manager or in an other capacity, are the only entities who may be registered owners acting on behalf of a beneficial owner.

In this Law, a “custodian bank” means a bank which issues depositary receipts, evidencing its registered ownership in securities, which are registered and traded on any domestic or foreign stock exchange.

The name and data of any registered owner is recorded in a special register maintained for this purpose by such registered owner pursuant to the rules and procedures specified by a decision of the Board of Directors of the Capital Market Authority.

Article 7—The issuer of a security shall be discharged of its responsibility when dealing with the registered owner. The registered owner shall enable the beneficial owner to exercise all the rights pertaining to the security, including the right to the entitlements therefrom and the financial and other information disclosed by the issuer. The registered owner shall abide by the instructions of the beneficial owner as regards the right to vote, to dispose of the security, and the right to receive the proceeds from such disposal.

Where the registered owner loses its legal status or is declared bankrupt, the registration of securities shall be changed to the name of the beneficial owner.

Article 8—Securities deposited with the company, and the entitlements thereto, shall be deemed to be fungible and interchangeable as if they were of the same type, issue and currency. No Participant shall be entitled to claim to exercise a right or obligation with reference to a particular identified security.

The preceding paragraph also applies to all beneficial owners of securities held by a single registered owner.

A registered owner shall vote on behalf of each of the beneficial owners pursuant to their respective instructions received from them.

Article 9—The company may carry out its activity only with respect to securities. Foreign securities shall be listed at the stock exchange in the country of issue.

Article 10—No board member and employee of the company, nor their spouse or minor children may deal in securities except upon the approval of the company’s board of directors. A decree issued by the Capital Market Authority shall specify the rules and procedures of such approval pursuant to the executive regulation.

Article 11—Any security listed on any stock exchange, and any security of any issuer which is the object of a public offering, shall be deposited with the company. Other securities may be deposited.

Where a security is deposited with the company, the registration of the security and the clearance and settlement of transactions in such a security, is effected by the company.

Article 12—The creation and the enjoyment of any right in a security deposited with the company shall only be effected through its book entry system.

Securities deposited with the company may not be withdrawn, except pursuant to such circumstances as may be set forth in a decree issued by the Chairman of the Capital Market Authority.

Article 13—When a securities certificate is dematerialized pursuant to the rules specified by a decree issued by the competent minister, it shall be replaced by one single certificate for each issue of securities and be deposited with the company. Such security certificate shall indicate the quantity or principal amount and type of security, and any other information specified by the Executive Regulations.

## **Chapter Two**

### **Clearing and Settlement**

Article 14—The company clears securities transactions for the account of Participants to determine the net rights and liabilities of every such Participant. The company also performs the settlement of obligations for every securities transaction.

The Executive Regulations specify the operations and relevant procedures pertaining to the clearing and settlement processes.

Article 15—The company clears and settles securities transactions on the basis of delivery versus payment. The period between the time a transaction takes place and the time settlement is effected does not exceed the period specified by a decree issued by the board of directors of the Capital Market Authority.

Article 16—Subject to the approval of the Capital Market Authority, the board of directors of the company issues a decree setting forth the means by which Participants can guarantee the fulfillment of their settlement obligations related to securities transactions, which may consist of:

1. A guarantee of the Participant posted by a third party;
2. A limit on the amount of a Participant's cash settlement obligations to the company for its transactions;
3. Any manner in which unsettled transactions may be liquidated, as set forth in rules and procedures of the company; and
4. A securities lending and borrowing service for Participants.

Article 17—The company holds deposited securities on its own premises or at one of the entities licensed to act as a custodian, and holds Participant funds at any bank supervised by the Central Bank of Egypt.

Article 18—The company establishes and manages a fund to which Participants are required to contribute to guarantee the settlement of obligations resulting from securities transactions. The rules regulating the activities of the fund and its participation are specified in a decree from the board of directors of the Capital Market Authority.

### **Chapter Three Participation**

Article 19—The following entities are eligible to become Participants:

- 1- A bank and any branch of a bank regulated by the Central Bank of Egypt;
- 2- A company that carries on one of the securities activities specified by the board of directors of the Capital Market Authority;
- 3- A domestic or foreign central securities depository, provided that its head office is subject to control pursuant to rules specified by the board of directors of the Capital Market Authority;
- 4- Any other entity whose participation is accepted by the members of the board of directors of the company pursuant to the provisions and conditions specified by the Executive Regulations.

Article 20—A Participant shall comply with the rules and standards specified by the regulations, and shall have and maintain at all times:

- 1- sufficient financial resources to meet Participant obligations and to cover securities clearing and settlement risks; and
- 2- adequate personnel, technical capabilities, books, records, systems and procedures to carry out its activities as a securities depository and central registry.

Entities referred to in article 19 of this Law that do not meet the above criteria may be provided company services through a Participant.

Article 21—Participation in the company shall be available to entities referred to in article 19 of this Law provided they meet the criteria stipulated in article 20. Every Participant shall abide by the rules and procedures of the company.

The company shall treat all Participants equally and fairly, and apply such principles to the fees and expenses it charges and to the provision of its services.

Article 22—A Participant shall execute a written agreement with the company, substantially in the form of the model agreement approved by the Capital Market Authority, provided that Participant is obliged to:

- 1- comply with the rules, systems and procedures of the company and modifications thereto made by the company, once approved by the Capital Market Authority.
- 2- pay the fees and expenses for the services provided by the company, and compensate the company for any violation of the rules, systems and procedures;

- 3- pledge the securities deposited at the company in his name and for its account whenever required by the company to guarantee the fulfillment of his obligations and to authorize the company to borrow money against the securities pledged;
- 4- enable company representative to examine the service books and records of the company and verify their accuracy;
- 5- abide by the decisions of the board of directors of the company concerning its services;
- 6- contribute to the settlement guarantee fund of securities transactions; and
- 7- share the loss incurred by the company pursuant to the rules adopted by the board of directors of the company and approved by the Capital Market Authority.

The agreement shall include provisions on the resolution of disputes that may arise between a Participant and the company.

Article 23—Without prejudice to the provisions of article 39 of this law, the board of directors of the company shall adopt all the rules concerning measures to be taken against company Participants in violation of the company's rules. These rules shall only be valid and enforceable upon their approval by the Capital Market Authority.

## **Chapter Four**

### **Central Depository**

Article 24—The company shall observe equality and fairness in its treatment of issuers of securities having similar status, in the fees it charges to Participants, and in providing its central registry services.

Article 25—The records of securities ownership in the registers maintained by the company for this purpose replace the records of securities ownership maintained by the issuer.

A certificate which is issued by the company in replacement of a certificate of the issuer of the security, is valid for all purposes, including when dealing in the security, attending securities holders general assembly, being entitled to dividends, pledging the security, using priority and other rights according to the provisions and procedures stipulated by the law and related executive decisions.

Article 26—The company may carry out all tasks it deems appropriate for the maintenance of securities registers, the completion of transfer of ownership in securities, and the recording of related data, including obtaining from the registered owners the names of beneficial owners and detailed ownership information.

Article 27—The company shall maintain a register of beneficial owner reflecting the data provided by registered owners pursuant to article 26 of this Law. The register and the information it contains is confidential, and may be reviewed only by relevant issuers of securities and those entities legally entitled to it, to the extent required.

Article 28—A registered owner is obligated to disclose to the company the data on beneficial owners in accordance with the rules and procedures specified by Executive Regulations. When a custodian bank is the registered owner of any security, it shall

maintain its register of beneficial owners, and the company is entitled to review it upon the request of an issuer of the relevant security.

Article 29—The company shall, within the period and under the conditions specified by the Executive Regulations, complete the registration of a security and respond to inquiries of its issuers and other interested parties.

The company shall maintain books and records and prepare the records required to carry out its activities according to the rules specified by the Executive Regulations.

## **Chapter Five Custodians**

Article 30—No entity may act as a custodian unless it is a bank, or an entity specified by executive regulation, and licensed by the Capital Market Authority pursuant to the rules and procedures set forth in the Executive Regulations.

The activity of a custodian shall be any activity pertaining to the holding, dealing in and managing securities in the name and for the account of a beneficial owner whose securities are in the registered name of the custodian, and always subject to the instructions of such beneficial owner.

Article 31 —An entity licensed to act as a custodian shall:

- 1- Segregate its own securities and accounts from that of its clients and maintain records of that same;
- 2- Credit and debit the account of each beneficial owner for payments arising out of dealing in and managing such securities; and
- 3- Redeem securities and reimburse cash to the beneficial owner pursuant to his request.

Article 32—An entity licensed to act as a custodian shall enter into a written agreement with its clients, and which shall not contradict any terms and conditions set forth by the Capital Market Authority.

## **Chapter Six Incorporation and Management of the Company**

Article 33—The incorporation of the company and its licensing to carry out its activities shall be done in accordance with those provisions of the Capital Market Law # 95 for 1992 applicable to companies dealing in securities as stipulated in article 2 of such law, to the extent they are not incompatible with the provisions of this Law.

Article 34—The company shall be incorporated as a joint stock company having an issued and paid-up capital of not less than the amount prescribed by the Executive Regulations.

The capital shall be composed of shares in registered form of similar type and value.

Article 35—Any company requiring a license to undertake the activity of the central depository and registry in Egypt shall submit an application to the Capital Market Authority accompanied by its rules and internal regulations, in addition to the documents and information that the Capital Market Authority may require.

The Capital Market Authority shall grant a license to such company when it deems appropriate to the needs and in the interest of the capital market.

The approval of the Authority may be limited to one type or more of the securities or a certain geographic location and may include any terms and conditions related to any of its activities.

Article 36—The company shall establish an independent department with separate accounts and separate financial positions for each of the central depository service, the registry service, and the settlement guarantee fund.

Article 37—The shares of the company shall be owned only by its Participants, in an amount proportional to the volume of their respective dealings with the company and in accordance with the fees and charges paid. However, no Participant or group of related Participants may own more than 5% of the company's capital. The Egyptian Stock Exchange shall own 5% of the company's capital and shall have one member of the board of directors as its representative.

The Executive Regulations shall set forth the rules of the allocation of shares in the capital of the company, upon its incorporation and subsequently upon accepting new Participants, and pertaining to the redistribution of the shares among Participants in application to the above paragraph. The transfer of such shares among Participants or from them to the company shall be at the par value of such shares.

Foreign central depositories that are entitled to become Participants are not required to become shareholders of the company pursuant to the Executive Regulations.

For purposes of this article, a group of related Participants is any group of Participants subject to the actual control of the same natural or judicial person or any person having an arrangement between them to co-ordinate the voting at a general assembly meeting or on the board of directors of the company.

Article 38—The disposal by a Participant of any of its shares of the company, including upon the cessation of its participation, shall only be made in accordance with the shares reallocation regulation outlined in article 37 of this Law.

The transfer of its ownership of such shares to the company shall be completed only in any of the above mentioned events. The company shall re-allocate such shares to other Participants pursuant to the provisions of the Executive Regulations.

Any transaction effected in violation to the above paragraph shall be null and void.

Article 39—A Participant shall cease to be a Participant upon:

- 1- Being declared bankrupt or losing its legal capacity;
- 2- The revocation of its license issued by the Capital Market Authority to carry out its business;
- 3- The revocation of its participation by a resolution of the Capital Market Authority on grounds of a breach of a provision of this Law or of any Decree under this Law;
- 4- The revocation of its participation at a regular general assembly of the company adopted by at least three quarters of the attendees at such meeting.

Article 40—The company may not charge any fees for the services it provides that would exceed the limits specified by a decree issued by the competent minister.

When the company realizes a profit, a portion thereof may be allocated as a contribution to the settlement guarantee fund stipulated in article (18) of this Law. The remaining amount should be distributed among the company's shareholders and securities issuers pursuant to the rules specified by the regulation.

Article 41—The board of directors of the Capital Market Authority may revoke the license of the company on the ground that it has violated the provisions of this Law or any of its decrees, if such violation causes harm to the capital market or threatens its stability, provided the company has been notified of the violations and has been given a reasonable opportunity to submit its opinion or remedy the violation prior to such revocation.

The decision to revoke the license of the company shall not be effective until acknowledged by the Minister. Any such decision shall provide for the procedures and arrangements required to be taken to minimize the consequences of such revocation.

The Executive Regulations shall specify the rules and procedures to be followed in this respect.

## **Chapter Seven**

### **Supervision of the Company**

Article 42—The Capital Market Authority shall supervise the company and inspect its activities in accordance with the provisions of the Capital Market Law applicable to securities companies.

Article 43—The company shall observe the following systems and procedures for safeguarding securities in its custody:

- 1- Maintain appropriate and sufficient systems and procedures for safeguarding the securities in its custody;
- 2- Appoint internal and external auditors to evaluate the financial auditing of the company;

- 3- Prepare periodic reports for its Participants of the central depository and issuers of securities on the performance of the company; and
- 4- Implement arrangements to ensure the proper performance of electronic data processing systems of the company and to retrieve the information in the event of any failure of such systems.

Article 44—The company shall establish the technical systems of the securities depository, clearance and settlement of securities transactions. Such systems shall become effective upon the approval of the Stock Exchange in respect to the system of settlement and clearance. Such technical systems shall become effective upon the approval of Board of Directors of the Capital Market Authority.

Article 45—The legal auditing of the company shall be carried out by two (2) auditors selected from a list prepared by the Capital Market Authority for such purpose.

The company shall provide the Authority with all such reports and financial statements required from any issuing company which offers its shares to the public in accordance with the Capital Market Law, in addition to any other reports specified by the Executive Regulations.

Article 46—The Chairman of the Capital Market Authority shall be notified of any resolution appointing the members of the board of directors of the company within thirty days from its adoption. Such resolution shall be effective upon such notification.

Article 47—In order to maintain the stability of the capital market and the proper conduct of the company's business, the board of directors of the Capital Market Authority may issue a motivated resolution discharging any member of the board of directors of the company.

It may also appoint a member as an observer at any meeting of the board of directors of the company, for a period specified by the board of directors of the Capital Market Authority. This member may participate in the discussions of the board and have his point of view recorded in the resolutions adopted by the board, but shall not have the right to vote at such meetings.

Article 48—The company shall be liable to Participants or issuers of securities, as the case may be, for:

- 1- Failure to deliver securities or transfer funds of the Participant or any of its customers, or to register or transfer the ownership of securities;
- 2- Disappearance or loss of securities or funds;
- 3- Any damage sustained by a Participant, its customer, an issuer of securities or any other person to whom the company is liable under its articles of incorporation or its rules and procedures or its agreements with Participants or issuers of securities.

Any damage arising from the liability of the company shall be borne by Participants in accordance with the loss sharing rules, unless the damage is covered by insurance.

Article 49—The company shall have appropriate systems and procedures in place to protect the confidential nature of the information of those parties dealing with the company. Any director, officer, employee or agent of the company shall be prohibited from disclosing such information. The company shall also have the appropriate means for detecting any violation of such confidentiality obligation.

A Participant and an issuer of securities shall have the right to look at, and the company shall make available to the authorized representative of such Participant or issuer, at the business premises of the company, all the books and records of the company relating to the transactions of such Participant or issuer and obtain a copy of same.

Article 50—The board of directors of the Capital Market Authority shall establish rules pertaining to measures to be taken against the company in the event of violation of this Law and any decree issued thereunder. Any such decree shall become effective upon being acknowledged by the competent Minister.

Article 51—The provisions of the Capital Market Law shall apply to those persons having judicial power of inspection and the authority to identify violations of such laws and their decrees.

## **Chapter Eight**

### **Bankruptcy of Central Depository Participants**

Article 52—In the event any Participant is declared bankrupt, the company shall complete the settlement and clearance of its transactions before it being declared bankrupt, and such transactions shall be enforceable against all parties.

The Authority may invalidate any or part of a transaction, on its own or at the request of the representative of the creditors of the bankrupt Participant if the transaction is effected in willful misconduct.

## **Chapter Nine**

### **Appeal**

Article 53—An appeal by an interested party, of an administrative decree issued by the Minister or the Authority pursuant to this Law or its decrees, shall be governed by articles 50 and 51 of the Capital Market Law.

## **Chapter Ten**

### **Penalties**

Article 54—In addition to any other penalty stated in any other law, a Participant carrying out any activity subject to this Law without a license is liable to imprisonment for not less than one year or to a minimum fine of LE 100,000 but not exceeding LE 200,000 or to both.

Article 55—In addition to any other penalty stated in any other law, any person who violates paragraph three of article 8 and articles 10, 28, 31, 43, and 46 of this Law, is liable to a minimum fine of LE 50,000 but not exceeding LE 100,000.

Article 56—In addition to any other penalty stated in any other law, a person who discloses or benefits directly or indirectly from any information declared confidential by this Law is liable to imprisonment of not less than six months or a fine ranging from LE 50,000 to LE 100,000 or to both.

Article 57—In addition to all penalties stated in this Law, the violator may be prohibited from carrying out its professional or business activities, or from carrying out any activity related to such violation, in either case for a period not exceeding three years. Such prohibition shall be mandatory in case of a recurrence of the violation.

Article 58—The person responsible for the actual management of a company who violated this Law shall himself be subject to the penalties imposed for acts committed in violation of this Law. It must first be proven that such person was aware of such violation and if such violation of the duties of such person, imposed by such management, has contributed to this violation.

A company shall be jointly responsible for the payment of all monetary fines imposed if the violation is committed by any of its employees in the company's name or its benefit.

A criminal suit shall not be initiated in respect of the offences set forth in this Law, except upon the written request of the competent minister subsequent to the approval of the Chairman of the Capital Market Authority.

The competent Minister may put an end to the criminal case with the defendant or the person found guilty of an offence, upon the payment to the Authority of a sum equal to an amount between the maximum amount of the fines and double that amount, or an amount equal to the benefits realized by the violator from such offence, whichever is greater.

The general prosecution shall decide the period of imprisonment if the case is settled during the execution, even where the decision may not be appealed.

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